



EDP-Energias de Portugal

ISIN code : PTEDP0AM0009. Rating : June 2009

General Information

EDP is a European operator within the energy sector, being the third largest energy operator in the Iberian Peninsula, and the largest Portuguese industrial group. EDP is the only company within the energy sector in the Iberian Peninsula with generation, distribution and supply activities in Portugal and Spain - where it controls the fourth largest Spanish electricity operator, HC Energía. In addition, EDP has a relevant position in the gas sector in the Iberian Peninsula, through Naturgas in Spain, the second market operator, and Portgás in Portugal, the second distribution company. Internationally, EDP Group has also a strong position in the Brazilian electricity sector, where it produces, distributes and supplies electricity through Energias do Brasil.

CSR Profile

Overall EDP demonstrates a mixed CSR performance. The group's performance is above average within the domains Business Behaviour, Community Involvement and Environment. In terms of Business Behaviour, the group has formal policies and a clear framework in place, concerning responsible customer relations, service continuity and safety; and to a lesser extent, addresses corruption and anti-competitive behaviour, leaving room for improvement in terms of implementation of preventative measures. With regards to Community Involvement, EDP has formal policies in place and has allocated financial resources to address social and economic development in addition to being involved in activities concerning access to energy and the needs of vulnerable customers. Concerning the Environment domain, the group continues to maintain its improved performance and demonstrates a strategic plan with regards to increasing its renewable energy capacity. EDP's Corporate Governance performance has continued to improve and is now average in comparison to the sector. Concerning Human Resources, EDP maintains an average performance, and is currently introducing a new career development framework. EDP's Human Rights domain is its weakest; since although the company is a signatory of the Global Compact concrete measures to prevent violations remain unclear.

Executive Summary

Human Resources

EDP continues to address all relevant issues within the Human Resources domain. In terms of labour relations, local employee representative bodies have been set up and collective bargaining between EDP and employee representatives cover several issues related to working conditions. In terms of Career Management, EDP has made a formalised commitment and is currently implementing new assessment and career development tools. In addition EDP has made a formalised commitment to health and safety and has a comprehensive framework and external certifications in place; between 2006 and 2008 the group's accident frequency and severity rates have decreased. Overall EDP's performance has improved slightly and is now above the sector average.

Environment

EDP has an Environmental Policy in place and commits to most of its responsibilities in terms of environmental protection. The group's strongest performance within the domain is in relation to the development of renewable and green energy, where it has set quantitative objectives and made substantial investments. Overall EDP's performance within the environmental domain is in line with sector average, although its global performance has decreased slightly in comparison to the previous rating.

Business Behaviour

EDP has issued formal commitments in relation to all criteria under review within the Business Behaviour domain, including a commitment towards anti-competitive behaviour, which has now been included in the group's Code of Ethics. In terms of implementation measures, the group's performance is mixed. Implementation measures in relation to responsible customer relations appear to be the most developed, and the group also has a framework in place with regards to service security and continuity; however in relation to corruption and anti-competitive practices, apart from a whistle blowing system, there does not appear to be comprehensive implementation measures in place; additionally EDP was fined by Spanish competition authorities in 2009. Overall the group's performance has improved and is now above average in comparison to the sector.

Corporate Governance

With regards to Corporate Governance, EDP's board of directors possesses the competencies necessary for its role and meets on a regular basis. The audit committee has an exhaustive role and the internal control committee oversees CSR risks. EDP continues to be in non-compliance with a number of Vigeo standards, specifically in relation to voting and shareholders' rights, and disclosure of executive remuneration. However, the group's performance has improved slightly and is now in line with the sector average.

Community Involvement

EDP has made a general commitment to promote local social and economic development, but apart from financial contributions very few measures to promote the local social and economic development are disclosed. In relation to Access to Energy in developing countries and addressing the energy needs of vulnerable customers, EDP addresses its responsibilities through several programmes in Brazil, Portugal and Angola. Overall the group's performance remains above the sector average.

Human Rights

EDP is a communicating signatory of the Global Compact and issued a Code of Ethics that includes general commitments to all its responsibilities regarding human rights. However in relation to effective tools in place to ensure the respect of issues under review (respect for human rights standards and prevention of violations, non-discrimination, and respect for freedom of association and the right to collective bargaining), EDP's reporting is quite poor. Overall, the company's performance remains below average.

Negative criteria assessment for the company

Nuclear power. "Minor involvement. In 2009, nuclear sources represented 0.83% of EDP's installed capacity for electricity production.

Controversies

No serious allegations detected.